

**C15 MANAGEMENT OF INVESTMENTS****PURPOSE**

To provide guidelines for the investment of surplus funds which ensure that returns on funds invested are maximized within levels of acceptable risk.

**POLICY****Investment Objectives**

- To take a conservative approach to investments, but with a focus to add value through prudent investment of funds.
- To achieve a high level of security for the overall portfolio by using recognised rating criteria.
- To maintain an adequate level of diversification as detailed in this policy.
- To have ready access to funds for day-to-day requirements, without penalty.

**Statutory Compliance**

All investments are to be made in accordance with:

- Local Government Act 1995 – Section 6.14
- The Trustees Act 1962 – Part III Investments
- Local Government (Financial Management) Regulations 1996 – Regulation 19, 28 and 49
- Australian Accounting Standards

**Delegation of Authority**

The authority is to be delegated to the Chief Executive Officer to make investment decisions and sign investment lodgements and withdrawals. Pursuant to the provisions of Section 5.45 of the Local Government Act 1995 the CEO may in turn delegate the day to day management of Council's investments to Director Corporate and Community and Manager Customer Services.

**Prudent Person Standard**

Investment will be managed with the care, diligence and skill that a prudent person will exercise. Officers are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy, and not for speculative purposes.

**Authorised Institutions**

In accordance with Local Government (Financial Management) Regulations Section 19C the Shire can only invest in the following institutions;

- Authorised deposit taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or
- Western Australia Treasury Corporation established by the Western Australian Treasury Corporation Act 1986.

**Authorised Investments**

The only types of authorised investments under Local Government Act 1995 section 6.14(1) are as follows;

- Deposits with an authorised institution and the term is to be no more than 12 months;
- Bonds that are guaranteed by the Commonwealth Government, or a State or Territory government with a term to maturity of up to 3 years;
- Australian currency only.

**General Policy Guidelines**

(i) Quotations on Investments

Not less than three (3) quotations shall be obtained from authorised institutions when an investment is proposed.

(ii) Credit/Diversification Risk

The short term (0-365 days) credit guidelines will be based on Standard and Poors Short Term Issue Credit Ratings which are:

A1+ The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

A1 The obligor's capacity to meet its financial commitment on the obligation is strong.

A2 The obligor is susceptible to adverse economic conditions however the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

The long term rating (1 to 3 years) is confined to bonds that are guaranteed by the Commonwealth Government, or a State or Territory government with a term to maturity of up to 3 years. The amount invested with any one financial institution or product should not exceed the following percentages of average annual funds invested within each risk rating.

Credit Rating	Maximum % in credit rating category	Maximum % in one authorised institution
Short term A1+	100	75
Short term A1	50	75
Short term A2	25	50
Long term – Government Guaranteed Bonds	100	100

- No more than 75% of funds may be invested in one organisation without Council approval.
- These provisions relating to the diversification of Council's Investments do not apply if Council chooses to place its investments with the institution that operates Council's Municipal Fund.

(iii) Preference to community support

Where two or more quotes are equal in terms of risk and return then the institution that can demonstrate a greater community support will be preferred over the other.

(iv) Change in Credit Ratings

If any of the Shire's investments are downgraded such that they no longer fall within the investment policy, they will be divested as soon as practicable.

### Reporting and Review

A monthly report will be provided to Council, detailing the investment portfolio in terms of products held and investment income earned versus budget year to date.

For audit purposes, certificates must be obtained from the authorised institutions confirming the amounts of investment held on Council's behalf at 30 June each year.

<i>Date of Last Amendment – 22 November 2016 (reviewed 27 June 2017 Minute 140617)</i>
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